

Message Text

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ACTION L-03

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TO SECSTATE WASHDC 9034

LIMITED OFFICIAL USE SECTION 1 OF 4 ADDIS ABABA 3102

FOR L/AF, AF/E, EB PASS TREASURY

E.O.11652: N/A
TAGS: EINV, ET
SUBJ: ETHIO-GUM PROGRAM LIMITED PARTNERSHIP AND NORAFRO
CORPORATION CLAIMS

SUMMARY: THE CLAIMS OF ETHIO-GUM PROGRAM LIMITED PART-
NERSHIP AND NORAFRO CORPORATION, BOTH OF MINNEAPOLIS,
MINNESOTA, AMOUNT TO \$4.9 MILLION AND REQUIRE THE
DEPARTMENT'S CONSIDERATION AS OUTLINED BELOW. END SUMMARY.

1. EMBASSY HAS ON FILE TWO NOTEBOOK BINDERS IDENTICAL
TO THOSE FILED WITH THE ETHIOPIAN COMPENSATION COM-
MISSION UNDER COVER OF A LETTER FROM THE LATE SENATOR
HUBERT H. HUMPHREY BY LETTER DATED JANUARY 11,1977.
THE BINDERS PERTAIN RESPECTIVELY TO THE CLAIM OF THE
NORAFRO CORPORATION, SUITE 200, 5001 WEST 78TH ST.,
MINNEAPOLIS, MINNESOTA 55437, TELEPHONE 612-835-4404
FOR THE NATIONALIZATION OF ITS SUBSIDIARY IN ETHIOPIA,
MILLE FARMS PRIVATE LIMITED COMPANY, IN JANUARY 1975
AND THE CLAIM OF A MINNESOTA LIMITED PARTNERSHIP,
ETHIO-GUM PROGRAM, FOR ITS ETHIOPIAN SUBSIDIARY, ETHIO-
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GUM PRIVATE LIMITED COMPANY. STATIONERY FOR THE ETHIO-
GUM PROGRAM SHOW ITS ADDRESS TO HAVE BEEN 5001 WEST
78TH ST., MINNEAPOLIS, MINNESOTA 55431, TELEPHONE
612-927-7026, BUT THE UNSIGNED COPIES OF THE U.S. PARTNER-
SHIP RETURN OF INCOME FOR THE YEARS 1971 THROUGH 1974
SHOW THE SAME STREET ADDRESS PLUS ROOM 200, SOUTHGATE
PLAZA, BLOOMINGTON, MINNESOTA 55435. BOTH FOLDERS

WERE PREPARED BY LOUIS J. MORIARTY, ATTORNEY AT LAW,
1214 NATIONAL BANK BUILDING, MINNEAPOLIS, MINNESOTA
55402, TELEPHONE 612-333-4537. THE FOUR COMPANIES
LISTED ABOVE WERE THE BRAIN CHILDREN OF MR. JAMES E.
MAXWELL, THE PRINCIPAL OF MAXWELL INVESTMENT COMPANY,
INC., ALSO AT THE SAME WEST 78TH ST. ADDRESS.

2. MR. JAMES E. MAXWELL RESIDED AT 2700 MAYFLOWER
AVE., MINNETONKA, MINNESOTA AS LATE AS DECEMBER 27,
1974 WHEN HE WAS THE RESPONDENT IN A JUDGEMENT AGAINST
HIM AND ETHIO-GUM PROGRAM BY M. HAMBURGER & SONS LTD.
FOR THE SUM OF \$29,683 WITH INTEREST FROM THE 10TH DAY
OF SEPTEMBER 1974 IN THE SUM OF \$534.49 AND COSTS IN
THE SUM OF \$37.50 AND BY STEIN HALL & CO. IN THE SUM
OF \$56,732, WITH INTEREST FROM THE 10TH DAY OF
SEPTEMBER 1974, IN THE SUM OF \$1,021.17 AND COSTS IN
THE SUM OF \$37.50 HANDED DOWN BY THE SUPREME COURT OF
THE STATE OF NEW YORK, COUNTY OF NEW YORK. THE JUDGMENT
WAS FOR FAILURE TO DELIVER GUM ARABIC PURSUANT TO CON-
TRACTS. MR. MAXWELL WAS AT VARIOUS TIMES THE ORGANIZER
OF A JOINT VENTURE IN ETHIOPIA WITH THE CROWN PRINCE
OF ETHIOPIA TO DEVELOP THE LATTER'S LAND IN MILLE,
ETHIOPIA (MARCH 31,1973), THE PRESIDENT OF NORAFRO
CORPORATION (SUPRA), ONE OF SEVEN FOUNDING SHARHOLDERS
OF MILLE FARMS PRIVATE LIMITED OCMpany OF ETHIOPIA
WITH 430 OF THE 860 INITIAL SHARES OF THE COMPANY,
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THE GENERAL PARTNER OF ETHIO-GUM PROGRAM LIMITED
PARTNERSHIP, A LIMITED PARTNER FROM THE BEGINNING IN
THE SAME PARTNERSHIP WITH A CAPITAL COMMITMENT OF
\$15,000, ONE OF THE TWO FOUNDING MEMBERS OF THE
ETHIO-GUM PRIVATE LIMITED COMPANY OF ETHIOPIA WITH 140
OF THE ORIGINAL 150 SHARES VALUED AT ETHIOPAIN \$14,000
(THE OTHER TEN SHARES BELONGING TO THE TIGRAI AGRI-
CULTURAL AND INDUSTRIAL DEVELOPMENT LTD. SHARE COMPANY
OF MAKALE, ETHIOPIA), AND PRESIDENT OF ETHIO-GUM
PRIVATE LIMITED COMPANY OF ETHIOPIA. IT APPEARS FROM
THE CLAIM PRESENTED BY MR. MORIARTY THAT MR. MAXWELL
TRAVELED TO ETHIOPIA IN 1970, BECAME AQUAINTED WITH
THE ROYAL FAMILY, AND WAS URGED BY THEM TO INVEST IN
THE GUM ARABIC DEVELOPMENT BUSINESS. AT THAT TIME,
CONCESSION RIGHTS TO EXPLORE, DEVELOP, EXPLOIT AND
DEAL IN GUM ARABIC WITHIN THE EMPIRE OF ETHIOPIA HAD
BEEN GRANTED EXCLUSIVELY TO THE TIGRAI AGRICULTURAL
AND INDUSTRIAL DEVELOPMENT, LTD. (HEREAFTER KNOWN AS
TAIDL), AN ETHIOPIAN SHARE COMPANY CONTROLLED BY THE
MINISTRY OF FINANCE AND HEADED BY HIS HIGHNESS RAS
MENGESHA SEYOU, GOVERNOR GENERAL OF TIGRAI PROVINCE.
ON NOVEMBER 19, 1970, JAMES MAXWELL, ON BEHALF OF

MAXWELL INVESTMENT COMPANY, INC., LEASED FROM TAIDL
THE GUM ARABIC CONCESSION IN OGADEN FOR FIVE YEARS WITH
AN OPTION FOR AN ADDITIONAL 5 YEARS. ON SEPTEMBER 16,
1971, TAIDL AGREED TO THE ASSIGNMENT OF ALL THE RIGHTS,
OBLIGATIONS, TITLE AND INTEREST IN THE NOVEMBER 19,
1970 LEASE FROM MAXWELL INVESTMENT TO ETHIO-GUM PROGRAM
AND FURTHER AGREED THAT ETHIO-GUM PROGRAM COULD ASSIGN
ITS RIGHTS, ETC. IN THE LEASE TO ETHIO-GUM PRIVATE
LIMITED COMPANY OF ETHIOPIA. ON APRIL 28, 1974, ETHIO-
GUM PRIVATE LIMITED COMPANY EXERCISED ITS OPTION TO
EXTEND THE LEASE FOR AN ADDITIONAL FIVE YEARS UNTIL
NOVEMBER 1980 BY A LETTER TO TAIDL.

3. OPERATIONS OF ETHIO-GUM: ETHIO-GUM PRIVATE LIMITED
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COMPANY WAS FORMALLY REGISTERED WITH THE ETHIOPIAN
MINISTRY OF COMMERCE AND INDUSTRY ON JANUARY 24, 1972
285# .4. J. W. SAMPSON, AN AMERICAN CITIZEN, AS GENERAL
MANAGER AND RESIDENT IN DIRE DAWA, ETHIOPIA. (MR.
NEIL LEWIS, ONE OF THE LIMITED PARTNERS, HAD ORIGINALLY
BEEN IN CHARGE OF OPERATION IN ETHIOPIA BUT IT BECAME
NECESSARY TO REPLACE HIM FOR SOME REASON.) A PILOT

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ACTION L-03

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FM AMEMBASSY ADDIS ABABA
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FOR L/AF, AF/E, EB PASS TREASURY

TEST PROGRAM WAS BEGUN IN THE OGADEN IN 1971 AND BY NOVEMBER 1971 THERE WERE SIX CAMPS ESTABLISHED FROM WHICH ACACIA TREES WERE SLASHED BY ETHIOPIAN LABORERS TO PRODUCE GUM ARABIC. AT THE END OF 1971, THE SYSTEM WAS REORGANIZED, EVIDENTLY TO REDUCE COSTS, AND PERSONNEL ON THE COMPANY PAYROLL WERE SLASHED FROM 499 EMPLOYEES TO 16 WITH THE ESTABLISHMENT OF BUYING STATIONS TO WHICH ETHIOPIANS WOULD BRING THE PICKED GUM ARABIC RATHER THAN PAYING WAGES TO WORKERS TO PICK THE GUM. ETHIO-GUM HAD AN IMPERIAL GOVERNMENT SANCTIONED MONOPOLY, AND IN AN ENCLOSURE TO A LETTER OF JUNE 9, 1972 TO MR. SHELDON J. GITELMAN, DIRECTOR OF FINANCE-AFRICA AT OPIC IN WHICH MR. MAXWELL SOUGHT TO OBTAIN OPIC FINANCING, MR. MAXWELL HAD THE FOLLOWING TO SAY IN PART: "THE PROVINCE GOVERNMENTS ARE HAPPY WITH THIS ARRANGEMENT (THE BUYING STATIONS) AND ARE INSTRUCTING THE POLICE AND MILITARY IN EACH AREA TO TELL THE CHIEFS AND THE PEOPLE TO GET OUT AND PICK THE GUM SO THEY CAN EARN CASH TO PAY THEIR TAXES AND BE ABLE TO BUY FOOD, CLOTHING AND OTHER NECESSITIES FOR THEIR LIVELIHOOD. THEY ARE TOLD TO PICK THE GUM AND SELL TO ETHIO-GUM LIMITED OFFICIAL USE

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PRIVATE LIMITED OR THEY WILL SEIZE THEIR CAMELS AND LIVESTOCK. THE POLICE WILL SELL THEIR ANIMALS TO PAY THEIR TAXES. THE RESPONSIBILITY IS PLACED ON THE CHIEF AND HE IS HELD ACCOUNTABLE FOR HIS TRIBE AND TO MAKE SURE THE PEOPLE PICK AND DELIVER THE GUM TO ETHIO-GUM PRIVATE LIMITED COMPANY.....NOW EACH PROVINCE WILL ENFORCE STRICT CONTROL OVER GUM POSSESSION. ALL GUM MUST GO THROUGH ETHIO-GUM PRIVATE LIMITED COMPANY..... ETHIO-GUM PRIVATE LIMITED COMPANY HAS BEEN GRANTED A MONOPOLY AS THE ONLY LICENSED DEALER IN GUM ARABIC IN ETHIOPIA.....THE SELECTION OF PEOPLE TO MANAGE EACH BUYING STATION WILL BE APPROVED BY THE GOVERNOR OF EACH PROVINCE.....IN REMOTE AREAS, WHERE STAPLE FOOD COMMODITIES ARE NOT EASILY AVAILABLE, THE BUYING STATIONS OF ETHIO-GUM PRIVATE LIMITED COMPANY WILL CARRY A SUPPLY OF CORN, TEA, COFFEE AND MILLET OR ANOTHER ONE OR TWO BASIC FOOD ITEMS, WHICH THE NATIVE PEOPLE CAN BUY THROUGH TRADING GUM FOR THESE COMMODITIES AS COST PLUS HANDLING CHARGES AND LESS TAX COLLECTION ON SALES, FOR TRANSMITTAL TO THE PROVINCE GOVERNORS' OFFICE. THIS MIGHT BE EXTENDED TO WATER DURING DROUGHT PERIODS, OR YEAR ROUND." (AMBASSADOR'S COMMENT: THE COMPANY'S METHOD OF OPERATIONS IN THE OGADEN, IN ADDITION TO THE CLOSE TIES WITH THE IMPERIAL ESTABLISHMENT, CLEARLY INDICATE WHY ETHIO-GUM WAS AN EARLY TARGET FOR NATIONALIZATION AND WHY AUTHORITIES OF THE PRESENT

GOVERNMENT ARE NOT LIKELY TO BE FAVORABLY DISPOSED TO AN EARLY AND FAVORABLE SETTLEMENT OF THE AMERICAN COMPANY'S COMPENSATION CLAIM.) IN ANOTHER ENCLOSURE TO MR. MAXWELL'S LETTER IT IS FURTHER STATED: "THUS STRONG TIES HAVE BEEN ESTABLISHED WITH MEMBERS OF THE ROYAL FAMILY, GOVERNMENT OFFICIALS ON THE NATIONAL LEVEL, AND THE PROVINCES WITHIN THE EMPIRE. AT THE LIMITED OFFICIAL USE

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SUGGESTION OF PRINCE RAS MENGESHA SEYOUM, WE HAVE RETAINED TAFARI BERHANE OF THE LAW FIRM TAFARI & BEKELE IN ADDIS ABABA. THIS IS THE LEADING LAW FIRM IN ETHIOPIA AND ATTORNEYS FOR THE ROYAL FAMILY. WE HAVE CLOSE AND STRONG TIES NOW WITH TAFARI BERHANE. AT THE SUGGESTION OF THE PRINCE AND OTHER MEMBERS OF THE ROYAL FAMILY, WE HAVE RETAINED THE ACCOUNTING FIRM OF D.H.J. SWITER OF ADDIS ABABA.....THE ROYAL FAMILY, GOVERNMENT OFFICIALS AND OUR ATTORNEYS HAVE BEEN IMPRESSED WITH OUR THOROUGHNESS AND APPROACH TO THE MATTERS OFFERED US."

4. ETHIO-GUM PROGRAM LIMITED PARTNERSHIP - THE \$120,000 RAISED INITIALLY FROM 7 INVESTORS ON APRIL 1 AND APRIL 22, 1971 PROVED INADEQUATE. (MR. MAXWELL HAD TO JOIN AS A LIMITED PARTNER ON APRIL 22 WHEN NO OTHER INVESTOR SHOWED UP.) THE GENERAL PARTNER (MR. MAXWELL) WAS ONLY REQUIRED BY THE LIMITED PARTNERSHIP AGREEMENT TO CONTRIBUTE "A PORTION OF OUT-OF-POCKET EXPENSES PAID OR INCURRED BY HIM IN EXPLORING THE HARVESTING AND MARKETING OF GUM ARABIC, THE OBTAINING OF A LEASE, AND ORGANIZATION OF THE PARTNERSHIP" AND THE ASSIGNMENT OF HIS NOVEMBER 19, 1970 LEASE. (ARTICLE 7 OF THE APRIL 22, 1971 CERTIFICATE AND ARTICLES OF LIMITED PARTNERSHIP). THIS CONTRIBUTION OF THE GENERAL PARTNER WAS APPARENTLY EQUATED TO \$80,000 PER A "COMBINED STATEMENT OF ETHIO-GUM PROGRAM AND ETHIO-GUM PRIVATE LIMITED COMPANY UNAUDITED AS OF JUNE 1, 1972" AND ENCLOSED IN THE LETTER TO OPIC MENTIONED ABOVE. IN 1972, A SOLICITATION WAS MADE TO NEW LIMITED PARTNERS BASED ON THE OPPORTUNITY TO BUY INTO 1/4 OF ONE CAMP OF A TEN CAMP UNIT TO PICK GUM ARABIC FOR \$12,500 PER QUARTER CAMP. \$137,500 WAS APPARENTLY RAISED IN THIS SOLICITATION, DURING 1972, ACCORDING TO THE LAST PARAGRAPH ON PAGE 5 OF THE CLAIM PREPARED BY MR. MORIARTY AND THE UNAUDITED COMBINED STATEMENT LIMITED OFFICIAL USE

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MENTIONED IN THE PREVIOUS SENTENCE. AS PREVIOUSLY MENTIONED, HOWEVER, THE CAMP UNIT CONCEPT HAD ALREADY BEEN ABANDONED FOR THE BUYING STATION CONCEPT AT THE END OF 1971, ACCORDING TO AN ENCLOSURE OF MR. MAXWELL'S LETTER TO OPIC. (EMBASSY QUERY: DOES THIS CONSTITUTE FRAUD?)

5. PROFITABILITY OF ETHIO-GUM PRIVATE LIMITED CORPORATION AND ETHIO-GUM PROGRAM.
LIMITED PARTNERSHIP: NO BALANCE SHEETS FOR THE ETHIO-GUM PRIVATE LIMITED COMPANY OF ETHIOPIA OR PROFIT AND LOSS STATEMENTS ARE INCLUDED IN THE CLAIM DOCUMENT,

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FOR L/AF, AF/E, EB PASS TREASURY

BUT THE COMBINED STATEMENT (WHICH IS DESCRIBED AS UN-AUDITED) REFERRED TO ABOVE SHOWS A NET LOSS OF \$250,521.20 FROM OPERATIONS AS OF JUNE 1, 1972. THERE ARE SIMILARLY NO BALANCE SHEETS OR PROFIT AND LOSS STATEMENTS FOR THE LIMITED PARTNERSHIP, ALTHOUGH MR. MORIARTY MAKES MUCH OF THE DECLINING ANNUAL LOSSES REFLECTED IN THE FEDERAL PARTNERSHIP RETURNS FILED FOR CALENDAR YEARS 1971 THROUGH 1973 AND AN AMMENDED RETURN FOR THE JANUARY 1 TO AUGUST 31, 1974 FISCAL YEAR. SALES AND LOSSES WERE REPORTED TO HAVE BEEN AS FOLLOWS:

SALES	NET LOSSES
-------	------------

1970/71	\$ 3,420	\$ 197,718
1971/72	-0-	73,912
1972/73	2,960	37,816
1973/74	304,551	16,191
TOTAL	310,931	325,637

THE U.S. PARTNERSHIP RETURNS OF INCOME ARE UNSIGNED AND
UNDATED AND MAY NOT CORRESPOND WITH THOSE ACTUALLY
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FILED. THEY BEAR EMPLOYEE IDENTIFICATION NO. 41-0981903,
BUSINESS CODE NO. 0400 AND WERE FILED IN HENNEPIN
COUNTY, MINNESOTA. THE REUTRNS SHOW THE FOLLOWING
TOTAL ASSETS FROM LINE 13, COLUMN (D), SCHEDULE L IN
BLOCK C ON THE FRONT OF FORM 1065: 1974 AMENDED RETURN -
\$2,353; 1973 RETURN - \$103,595; 1972 RETURN - \$55,890;
1971 RETURN - \$20,697.

6. REAL WORTH OF THE ETHIO-GUM PRIVATE LIMITED
COMPANY AT THE TIME OF NATIONALIZATION BY THE EHHIOPIAN
GOVERNMENT IN JANUARY 1975.

IT SHOULD BE NOTED THAT THE LOSSES BY THE MINNESOTA
PARTNERSHIP WERE CONSISTENT THROUGH AUGUSE 31, 1974,
ACCORDING TO THE U.S. IRS FORMS 1065 AND TOTAL \$325,637.
THE TOTAL EQUITY CAPITAL INVESTED ACCORDING T MR.
MORIARTY AND THE COMBINED UNAUDITED STATEMENT OF
JUNE 1, 1972 WAS \$337,500. THE COMBINED STATEMENT
FURTHERMORE SHOWED BANK LOANS OF \$80,000 AND PRIVATE
LOAS TO THE ETHIOPIAN COMPANY AND/OR U.S. PARTNERSHIP
OF \$33,300. THESE LOANS ARE NOWHERE BROKEN OUT. IT
SHOULD ALSO BE NOTED THAT THE JUDGMENT AGAINST THE
LIMITED PARTNERSHIP AND MR. MAXWELL (PARA 2 ABOVE)
WAS HANDED DOWN BY THE NEW YORK STATE SUPREME COURT
ON DECEMBER 27, 1974 AND INCLUDED INTEREST ACCRUING
SINCE SEPTEMBER 10, 1974, I.E. BEFORE THE EMPEROR WAS
DEPOSED ON SEPTEMBER 12, 1974. THE BREACH OF CONTRACT
AND FAILURE TO MEET DELIVERY TERMS OCCURRED AT LEAST
FOUR MONTHS PRIOR TO NATIONALIZATION OF THE ETHIO-GUM
PRIVATE LIMITED COMPANY. THE \$88,045.46 TOTAL JUDGMENT
ON DECEMBER 27, 1974 MAY WELL HAVE BANKRUPTED THE
PARTNERSHIP OR EXHAUSTED ITS ASSETS, PLACING A PERSONAL
RESPONSIBILITY ON MR. MAXWELL. THE CERTIFICATE AND
ARTICLES OF LIMITED PARTNERSHIP SPECIFICALLY STATE AT
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ARTICLE 7.5: " NO LIMITED PARTNER SHALL BE PERSONALLY

LIABLE FOR ANY OF THE DEBTS OF THE PARTNERSHIP OR ANY OF THE LOSSES THEREOF IN EXCESS OF THE AMOUNT CONTRIBUTED AND COMMITTED TO BE CONTRIBUTED BY HIM TO THE CAPITAL OF THE PARTNERSHIP UNDER ARTICLE 7 HEREOF." IT IS RELEVANT THAT THE SUPREME COURT OF THE STATE OF NEW YORK IN ITS DECEMBER 27, 1974 DECISION ADJUDGED THAT THE PETITIONERS "RECOVER NOTHING OF THE RESPONDENT AXEL LINDQUIST", ONE OF THREE ORIGINAL RESPONDENTS IN THE CASE AND AN ORIGINAL LIMITED PARTNER WITH A CAPITAL COMMITMENT OF \$15,000.

7. CONCLUSIONS AND RECOMMENDATIONS: CONCERNING THE ETHIO-GUM PROGRAM CLAIM OF \$3,603,355, THE DEPARTMENT OF STATE SHOULD SEEK TO RESOLVE WHETHER THE AMERICAN CLAIMANTS HAD ANY ASSETS OF VALUE IN ETHIOPIA AT THE TIME OF NATIONALIZATION OF ETHIO-GUM PRIVATE LIMITED COMPANY. THE FILES OF IRS AND OPIC, AND PERHAPS TREASURY, MIGHT CONTAIN ADDITIONAL INFORMATION, IF THE PRIVACY ACT PERMITS ITS USE. THE CLAIMANT, HOWEVER, HAS ALREADY ADVANCED INFORMATION FROM ITS TAX RETURNS AND ITS CORRESPONDENCE WITH OPIC. IT WOULD LARGELY BE A MATTER OF CONFIRMING THE INFORMATION. PRIMA FACIE, THE CLAIM SEEMS EXCESSIVE. THE AMERICAN PARTNERSHIP AND ITS ETHIOPIAN SUBSIDIARY MAY WELL HAVE BEEN BANKRUPT WHEN THE SUBSIDIARY WAS NATIONALIZED. IT WOULD APPEAR THAT, WITH THE INFORMATION PROVIDED IN PARAGRAPHS 1 AND 2 ABOVE, MR. MAXWELL OR MR. MORIARTY COULD BE REACHED FOR CLARIFICATION. THE EMBASSY WOULD APPRECIATE BEING INFORMED WHETHER IT CAN DROP THE ETHIO-GUM CLAIM FROM ITS LIST OF VALID AMERICAN CLAIMS.

8. THE NORAFRO CORPORATION CLAIM: THE NORAFRO CORPORATION, EVIDENTLY FOUNDED BY MR. JAMES E. MAXWELL, INVESTED \$207,729.46 BY CASHIER'S CHECK DATED LIMITED OFFICIAL USE

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NOVEMBER 2, 1973 TO ACQUIRE 430 SHARE OR EXACTLY HALF OF THE 860 SHARES OF MILLE FARMS PRIVATE LIMITED COMPANY. THE COMPANY WAS FORMALLY ORGANIZED ON FEBRUARY 6, 1974, ACCORDING TO MR. MORIARTY. IT WAS THE SUCCESSOR TO A JOINT VENTURE ENTERED INTO ON MARCH 28, 1973 BETWEEN JAMES E. MAXWELL ON BEHALF OF THE MAXWELL INVESTMENT CO. AND ATO TAFARI BERHANE, DULY AUTHORIZED TO ACT ON BEHALF OF THE CROWN PRINCE OF ETHIOPIA, WHOSE LAND IN THE MILLE AWASH AREA WAS TO BE DEVELOPED BY THE JOINT VENTURE. THE 430 SHARES NOT OWNED BY THE NORAFRO CORPORATION WERE DIVIDED AMONG NOMINEES OF THE CROWN PRINCE: 2 ITALIANS WITH A TOTAL OF 72 SHARES AND 4 ETHIOPIANS WITH THE

REMAINDER. SHORTLY AFTER THE SEPTEMBER 12, 1974
REVOLUTION WHICH INSTALLED THE PRESENT PMGSE,

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FOR L/AF, AF/E, EB PASS TREASURY

ETHIOPIAN SHAREHOLDERS OBTAINED TWO LETTERS WHICH THEY
INTERPRETED AS ASSURANCES THAT THE CROWN PRINCE'S
LANDS WOULD NOT BE NATIONALIZED. (EMBASSY COMMENT:
THIS WAS AT A TIME THAT THE NEW GOVERNMENT WAS RE-
QUESTING THE CROWN PRINCE, THEN ABROAD, TO RETURN
AND BECOME CHIEF OF STATE, AN HONOR WHICH HE DECLINED.)
AN INTERNAL LETTER INDICATES THAT JOHN SAMPSON,
GENERAL MANAGER OF ETHIO-GUM PRIVATE LIMITED COMPANY
WAS ALSO OVERSEEING IN A GENERAL WAY DEVELOPMENTS
CONCERNING MILLE FARMS. HE REPORTED THAT THE MONEY
INVESTED HAD LARGELY BEEN SPENT, THE COMPANY NEEDED
AN ADDITIONAL \$100,000 IN FINANCING TO CONTINUE TO
DEVELOP THE LAND AND HAD 80 HECTARES PLANTED IN
COTTON AND 160 IN SESAME SEED, AS OF NOVEMBER 20,
1974. THERE IS NO EVIDENCE AS TO WHETHER MILLE
FARMS OR NORAFRO RECOVERED ANYTHING FROM THE SALE OF
THE CROPS. MILLE FARMS IS CLAIMING \$1,303,742 FOR ITS
LOSSES, INCLUDING \$82,603 FOR PRELIMINARY RESEARCH AND
MARKETING SURVEYS FOR THE MILLE AWASH PROJECT WHICH
CLEARLY ARE EXCLUDED BY ARTICLE 8 OF THE MARCH 28,
1973 JOINT VENTURE AGREEMENT WHICH PROVIDED IN PART:
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"PRE-INCORPORATION EXPENSES, IF ANY, WHICH MAY HAVE BEEN INCURRED BY.....MAXWELL RESPECTIVELY SHALL BE BORNE BY EACH OF THEM AND THE JOINT VENTURE SHALL NOT BE LIABLE FOR ANY OF SHCH CLAIMS...".

9. THE MILLE FARMS CLAIM SEEMS EXCESSIVE, BUT THE DEPARTMENT SHOULD PURSUE THE MATTER WITH THE CLAIMANTS TO OBTAIN ADDITIONAL DETAILS AND JUSTIFICATION. THE FACT THAT THE LAND ON WHICH THE PROJECT WAS TO BE ESTABLISHED BELONGED TO THE CROWN PRINCE WILL MAKE FAVORABLE ACTION BY THE PMGSE EXTREMELY DIFFICULT. NO EARLY SOLUTION TO THE CLAIM CAN BE FORECAST.
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Message Attributes

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Review Release Date: n/a
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Subject: ETHIO-GUM PROGRAM LIMITED PARTNERSHIP AND NORAFRO CORPORATION CLAIMS SUMMARY: THE CLAIMS OF ETHIO-GUM PROGRAM LIMITED P
TAGS: EINV, ET, US, NORAFRO CORP
To: STATE
Type: TE
vdkgvwkey: odbcc://SAS/SAS.dbo.SAS_Docs/a1ff7f72-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
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20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014